MANAGER'S INTERNAL CONTROL PROCESS

Refresher Training for Assessable Unit Managers

Purpose

The purpose of this briefing is to provide Army Materiel Command Assessable Unit Managers (AUMs) with refresher training on the Army's Internal Control Process (ICP) as required by AR 11-2

Agenda

AUMs

Why ICP?

Controls

Internal Control Weaknesses

Material Internal Control Weaknesses (MWs)

Issues and Concerns

Summary

AUMs

- GEN Griffin's 19 Dec 05 Memorandum to AMC Commanders, HQ A
  Principal Staff, Directors/Chiefs, Personal and Special Staff define
  Responsibilities.

  - Providing the leadership and support needed to ensure interna
    controls in your assessable unit (AU) are in place and operati
    intended.

  - Submitting an annual statement of assurance to the CG that
    accurately describes the status of internal controls in the AU
    include full disclosure of internal control weaknesses and othe
    issues or concerns impacting the AMC.

Why ICP

- Statutory/Regulatory Requirement
  - Federal Managers' Financial Integrity Act of 1982
  - Office of Management and Budget (OMB) Circular A-123
  - Comptroller General of the United States (GAO) Standards for Internal Control
  - DOD Directive 5118.3 - Under Secretary of Defense (Comptroller) – CFO (6 Jan 07)
  - DOD Instruction 5010.40 – Managers' Internal Control (MIC) Program Procedures (4 Jan 06)
  - AR 11-2

Why ICP

- Inherent Management Responsibility
  - FM 101-5
    - A Good staff officer should possess and demonstrate: competence, initiative and judgment, creativity, flexibility confidence, and loyalty. In addition, a good staff officer sh be: a team player, an effective manager, an effective communicator.
  - An effective Manager must be:
    - Able to effectively manage time and resources;
    - A good steward of resources that the country entrusts to his/her care;
    - Diligent in efforts to efficiently manage these resources, avoiding waste, destruction, and duplication of efforts.

Why ICP

- Inherent Management Responsibility
  - Management 101 – 5 functions of management
    - Planning
    - Organizing
    - Staffing
    - Directing
    - Controlling – the process of:
      - ✓ Making certain that directed actions are carried out as planned in order to achieve some desired objective or goal
      - ✓ Assessing controls

Controls

- Rules, procedures, regulations, directives, policies, techniques, ar devices employed by managers to ensure that what should occu their daily operations does occur on a continuing basis.

- Include such things as organizational structure, formally defined procedures, checks and balances, recurring reports and manager reviews, supervisory monitoring, physical devices, and a broad a measures taken by managers to provide reasonable assurance th their controls are performing as intended.

Control Weaknesses

- Needed controls are not prescribed (in rules, policies, or procedur
  and actual practices do not include needed controls
- Needed controls are not prescribed but actual practices include n
  controls
- Prescribed controls are inadequate, incomplete, or ineffective and
  actual practices do not include adequate controls
- Prescribed controls are inadequate, incomplete, or ineffective but
  practices include adequate controls
- Prescribed controls are adequate, but are not followed

Material Weakness

A “significant” internal control weakness that

needs to be reported to a higher level of command

or another command for either their resolution or

awareness

What is Significant?

If the answer is YES to any of the below factors, it likely constitutes an internal control weakness (more Yes answers more likely a weakness)

- ✓ Actual or potential loss of assets
- ✓ Actual or potential frequency of loss
- ✓ Sensitivity of resources involved
- ✓ Magnitude of funds, property, or other resources involved
- ✓ Impaired fulfillment of essential mission
- ✓ Current or probable media interest (adverse publicity)
- ✓ Congressional, DOD or DA interest

What is Significant?

If the answer is YES to any of the below factors, it likely constitutes an internal control weakness (more Yes answers more likely a weakness)

- ✓ Unreliable information causing unsound management decisions
- ✓ Diminished credibility or reputation of management
- ✓ Statutory or regulatory violations
- ✓ Impact on information security
- ✓ Safety (injury or life-threatening situation)
- ✓ Public deprived of a needed service

Issues and Concerns

- ✓ Internal Control Weaknesses not considered material or significant
- ✓ Any thing that impacts or may impact mission, readiness, any of the factors for determining significance
- ✓ Resource shortfalls

Summary

An effective Internal Control Program will assist Managers in ensuring that programs operate as intended and resources are safeguarded.

Not only does ICP make good business sense, it’s the LAW.